

**Office Market  
Working Group Meeting Summary  
September 28, 2006**

**Overview**

Rich Bradley, Executive Director of the Downtown BID, gave an overview of the Center City Action Agenda 2007 project. The DC Office of Planning and the Downtown BID have partnered to create a process as a follow-up to the successful 2000 Downtown Action Agenda. The downtown area is becoming built-out, with only about 5 million square feet of development potential available for a projected demand of 25-30 million square feet over the next five years. One visible trend is development is shifting to areas adjacent to the traditional downtown area, which is to be expected as the core area is built out. Therefore, there is a need to look at a broader area – the Center City. This broader area encompasses the higher-density zoning and mixed-use development types that are found in the downtown area – stretching from Dupont Circle to the SE-SW Waterfront and from Foggy Bottom to Capital Hill.

The Center City Action Agenda 2007 will establish a new set of 5-year goals with a list of strategic actions that can be initiated over the next 18 months in order to achieve those goals. Another significant change from the 2000 Action Agenda will be the consideration of qualitative factors, such as sense of place and other quality of life indicators that contribute more to the area than a project's square feet or dollar value. The planning process will be relatively quick, with a final report issued in February, 2007. A steering committee provides oversight and will sort out priorities between the eight different working groups. The working group process will be an intensive two-meeting "charrette" process with the first meeting focusing on issue identification. The second meeting will be used to identify 8-10 strategic actions, with 2-3 high priority actions, to achieve the 5-year goals. The actions can be broadly defined to include future planning studies as well as "bricks and mortar" improvement projects.

**Issue Discussion**

- The GSA office presence must be retained and expanded by 2-3% every year in the District. GSA is evaluating their lease to own ratio with a goal of increasing their ownership position in the market through some of the large parcels they control – St. Elizabeth's, Walter Reed, etc. St. Elizabeth's could accommodate 4-5 million sq. ft. of office, while Walter Reed could accommodate 3-4 million with the balance of the property going to the State Department.

- Federal agencies are looking at opportunities for campus settings in order to meet new security requirements, but proximity to the Capitol is still a priority for those agencies.
- DOD may institute a policy of shifting more office space to existing military base locations to achieve future office needs.
- NCPC is developing several planning frameworks for federal properties in DC that could accommodate additional office space, as well as space for new memorials and monuments.
- The supply of affordable, moderate and middle income housing for office employees remains a big issue for the District and may ultimately impact a company's ability to recruit employees – it could cause companies to think of locating in less expensive locations in order to be closer to employee populations.
- The condition of the existing office supply and increasing real estate pressures may lead to a continuous upgrade or recycling of Class C office space to Class A space. This could cause a certain range of tenants – associations, nonprofits, small users – to seek less expensive space in the suburbs.
- Real estate values and the competition with residential development will continue to drive up office lease prices. How deep is the market for \$70/sq. ft. office tenants?
- Lack of amenities in the emerging office markets (NoMA, SE & SW Waterfronts) will probably require the use of incentives to attract tenants and other support uses that help create a sense of place and define those markets as desirable markets.
- Workforce development – the availability of a qualified workforce and the number of unemployed and under-employed residents in DC – continues to be an issue for employee recruitment and hiring.
- DC's tax structure and permitting process continue to put the District's office market at a disadvantage with more competitive suburban markets.

## **Discussion of Possible Strategies and Actions**

This discussion identified several major areas of recommendations for the industry: **Retention** – Target all existing GSA tenants for retention in DC and monitor all leasing strategies or moves by GSA. The office market should be assessed every two years in order to monitor trends and changes in the marketplace. Create the necessary partnerships for an aggressive GSA retention strategy and fund the effort as a year-round process.

**Recruitment** – Use a core industry analysis process to evaluate core industries and possibilities for their expansion and growth in the District. Use a similar process to examine what other industry clusters could be attracted to locate in DC's office market.

**Sense of Place** – Utilize a mix of uses and public infrastructure improvements to animate existing/emerging office districts and to create a sense of place, while offering a variety of price options in each market. Streetscape and landscape improvements, as well as public infrastructure improvements, are good incentives to attract office tenants to emerging markets. Sub-area plans should be developed for each of the emerging areas in order to establish the physical framework necessary to attract office and other support uses.

**Transit/Accessibility/Linkages** – DC needs to provide additional surface transit options that are dependable and increase efficiency – light rail, more Circulator buses, trolley systems, etc. – and the region needs to make improvements to the Metro system to enhance capacity and performance.

**Incentives** – Expand the use of the P.I.L.O.T. incentive to create necessary open space in predominately office districts, especially in new emerging areas that have a lack of open space and sense of place.

**Environment** – Assess environmental performance of existing, renovated and new construction buildings in the office market and strive for higher standards.

**Design** – It might be wise to identify and promote the great architectural and urban design principles that Washington exhibits as examples for future buildings and public realm improvements. There also may be a need in the next 5-10 years to begin discussions on allowing greater height in certain areas of the city that would not impact sight lines to the capitol and other monuments.